

NEWCASTLE LOCAL MUNICIPALITY

His Worship the Mayor and Councillors

FINANCIAL STATEMENTS: FINANCIAL YEAR ENDING 30 JUNE 2005

It is with pleasure that the financial statements for the financial year ended 30 June 2005 are presented.

Your attention is drawn to the fact that the statements annexed are un-audited.

Contained in the financial statements are transactions recorded in respect of Newcastle East, West, Charlestown, Ingagane and Kilbarchan by this department and information submitted by the various departments.

The statements were prepared in the prescribed manner by which it is trusted that it will be understandable, meaningful and informative for the Council, private sector, bankers and investors.

**E C LE ROUX
CHIEF FINANCIAL OFFICER**

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1. GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor	F L Duma (Mayor)
Councillor	M R Tshabalala (Deputy Mayor)
Councillor	M S Msibi
Councillor	N C Khabanyane
Councillor	C R Le Roux
Councillor	N S Mthabela
Councillor	L G Shabalala (Khoza)
Councillor	B Khumalo
Councillor	M E Zwane

SPEAKER

Councillor M Shunmugam

GRADING OF LOCAL AUTHORITY

Grade 4

AUDITORS

The Auditor-General

BANKERS

First National Bank

REGISTERED OFFICE

Civic Centre Murchison Street Newcastle	Private Bag X 6621 Newcastle 2940	Telephone: (034) 328 7600
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MUNICIPAL MANAGER

Mr A R Hoosen

CHIEF FINANCIAL OFFICER

Mr E C Le Roux

2. FOREWORD

The Newcastle Municipality should continue to provide services on a sound business basis to ensure sustainable service delivery. The management of the Newcastle Municipality is well aware of this fact and the reality of not attempting to solve business problems with political decisions is more evident with each new financial year. Furthermore, Council realises that there is no substitute for transparency and interaction with the community it serves and is committed to improve the community participation in the affairs of the Municipality.

Unsolved problems such as the financial constraints to appoint staff in the vacant positions on the approved staff structures, and the low payment factor for services rendered have impacted on service delivery and need to be addressed on a continues basis. The implementation of the credit control and debt collection policies proved to be both a daunting and challenging exercise. There is no doubt that this has assisted in addressing the payment factor and cash flow related problems experienced in the 2003/2004 and previous financial years. The deficit on the operating account has been reduced from R 5.097 million in the 02/03 financial year and R 1.034 million in the 03/04 to only R 0.274(excluding water & sanitation) in the 2004/2005 financial year. Cash and investments increased during 2004/2005 as apposed to significant cash outflows during previous financial years. These are positive points of departure from where Newcastle can move forward in achieving the goals we set for ourselves.

Considering the difficult circumstances that were and still are being experienced as part of the transformation process, a process that can not be finalised in a relative short time of a few years, Newcastle can be satisfied with the level of success achieved during the past financial year. With proper planning, communication, understanding, management by sound and tested business principles and improved community participation, residents can be assured that Newcastle has a great future.

COUNCILLOR: F L DUMA

CHAIRPERSON: EXECUTIVE COMMITTEE

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE FINANCIAL STATEMENTS OF THE NEWCASTLE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2005

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 4 to 22 and 34 to 37, for the year ended 30 June 2005 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). These financial statements, the maintenance of the effective control measures and compliance with relevant laws and regulations are the responsibility of the municipal manager. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No.1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

3. QUALIFICATION

3.1 Provision for doubtful debts

Consumer debtors increased from R193 778 994 at 30 June 2004 to R205 456 521 at 30 June 2005. This represents an increase of 6 per cent from the previous year after taking into account the approved indigent write-offs of R35 914 491.

Despite the above indebtedness the provision for bad debts decreased from R90 735 185 at 30 June 2004 to R83 341 036 at 30 June 2005. I am of the view that the provision is materially understated by at least R67.4 million.

3.2 Funding of fixed assets

The total net assets per appendix C amounting to R135 612 359 does not reconcile to the total external loans and internal advances of R121 548 993 recorded in appendix B. The difference of R14 063 366 is as a result of funding entries for asset additions being incorrectly processed.

3.3 Transfer of water and sanitation services

In terms of the instructions by the Minister for Provincial and Local Government in Government Gazette 25076 dated 13 June 2003 assets, rights, liabilities and obligations relating to the water and sanitation services for the Newcastle area should be transferred to Newcastle Municipality as the appointed water services authority. As reported in Note 5 to the financial statements the assets of the Ngagane Water Purification Works have not been transferred from the Amajuba District Municipality to the Newcastle Municipality.

3.4 Investment - uThukela Water (Pty) Ltd

The Newcastle Municipality has entered into a water services provider agreement with uThukela Water (Pty) Ltd together with two other water services authorities. The shareholders agreement with this company has, at the date of the audit, not been finalised.

For the year under review, the financial statements disclose a net investment of R18 736 353 in the jointly controlled entity which is based on the net asset value of the water service. The transfer of the assets and liabilities of the water service will only take place upon finalisation of the shareholders agreement and the valuation of this investment can only be determined upon finalisation of the financial statements of uThukela Water (Pty) Ltd. The value of this investment could therefore not be verified.

3.5 Value Added Taxation (VAT)

Included under creditors is a VAT suspense balance of R27 964 777 relating mainly to VAT levied on outstanding debtors. A reconciliation of this balance has not been performed at year-end accordingly the accuracy and completeness of this balance could not be verified.

4. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matters referred to in paragraph 3, the financial statements fairly present, in all material respects, the financial position of the Newcastle Municipality at 30 June 2005, and the results of its operations and cash flows for the year then ended in accordance with prescribed accounting practice (IMFO) and in the manner required by the MFMA.

5. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

5.1. Going concern

The 2004/2005 financial statements, in my opinion, do not draw attention to doubts concerning the municipality's ability to discharge all its obligations in the normal course of business, in the foreseeable future. These doubts arise in view of the following matters:

- **Provision for doubtful debts has not been fully provided for.**
- **Fund and reserve balances are not adequately supported by cash funds. Calculations show that the shortfall of investments compared to funds and reserve balances is R75 541 521.**
- **The municipality has recorded a net deficit of R274 214 for the year under review. (2003/04 deficit: R1 241 555)**
- **The failure on the part of consumers to abide by the credit policy of council has contributed to a continuous increase in the level of outstanding debt.**

These conditions indicate the existence of an uncertainty which casts doubt on the municipality's ability to continue as a going concern.

5.2 Internal Audit and Audit Committee

The internal audit division did not function effectively during the year under review as required by Section 165(2) of the MFMA. I did not place any reliance on the work performed for the following reasons :-

- The internal audit department was not adequately staffed.
- The work performed was limited to auditing the same component every month.
- There were no audit plans, working papers, audit programmes and audit procedures

In addition, the Newcastle Municipality did not have an audit committee as an independent appraisal function required in terms of section 166(1) of the MFMA.

5.3 Capital budget

During the year, the Newcastle Municipality budgeted capital expenditure of R81 034 620 (excluding housing projects funded by the Department of Housing). The actual expenditure for the year was R57 785 441. The 29 per cent under spending of the budget could impact on service delivery in terms of the municipality's integrated development plan.

5.4 Non-compliance with legislation

5.4.1 Late submission of the 2004-2005 financial statements

In terms of section 126(1)(a) of the MFMA the annual financial statements of the municipality should be submitted within 2 months after the end of the financial year to the Auditor-General for auditing.

In this regard the financial statements for the year ended 30 June 2005 was submitted to the Auditor-General for auditing on 18 January 2006.

5.4.2 Consolidated financial statements

The Newcastle Municipality has not prepared consolidated financial statements incorporating Waste Works Newcastle (an association not for gain incorporated under section 21 of the Companies Act, 1973) and uThukela Water (Pty) Ltd.

This is in contravention of section 122(2) of the MFMA which requires a municipality to prepare consolidated financial statements of the municipality and all entities of which it has effective control.

5.4.3 Municipal entities

Two entities namely Newcastle Waste Removal Services and Waste Works Newcastle are operated and controlled by the Newcastle Municipality. However the establishment and operation of these entities was not done in the manner prescribed by section 76(a) or (b) and section 78(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and the MFMA.

6. APPRECIATION

The assistance rendered by the staff of the Newcastle Municipality during the audit is sincerely appreciated.



H.van Zyl for Auditor-General
Pietermaritzburg

12 June 2006



A U D I T O R - G E N E R A L

3. REPORT BY THE CHIEF FINANCIAL OFFICER

3.1. GENERAL REVIEW

The inability to budget for the ideal staff structure has complicated and disrupted control over the actions, authority, etc. of the staff as well as accounting systems/procedures in place. The position of the Deputy Town Treasurer was vacated in July 2004 with a number of senior positions in the Financial/Treasury Services Directorate remaining vacant during the 2004/2005 financial year due to the inability to attract suitably qualified application when positions have been advertised. Due to staff shortages some statutory deadlines were not met and certain duties, some of which are statutory, remain unattended. The fixed assets of the former R293 towns are not included in the balance sheet and will only be included once staff has been appointed in the structure to attend to these duties.

With the exception of business properties, valuations in respect of the former R293 towns have not been undertaken as at 30 June 2005 and it is impossible to introduce a uniform tax base principle. Tariffs/levies in Newcastle East have not been determined on an economic base and these are being subsidised by means of intergovernmental grants and cross subsidisation by Newcastle West. This will have a negative effect on the future determination of tariffs/levies.

Despite the abovementioned, amounts and information in respect of levies are included in the financial statements. Due to the lack of control over staff, the actual amounts received, accounting procedures applicable in the former townships and the lack of accountability and responsibility, the correctness of the information included in the financial statements is certified with qualification. Despite a significant increase, the payment factor in the former R293 towns remains low compared to Newcastle West and remains an area of concern. Significant progress was made with the implementation of the credit control, debt collection & indigent support policies. Funds and reserves are still to large extent represented by outstanding debtors rather than cash and investments. However the situation has improved during 2004/2005 to the extent that 18.91% of the total capital employed was represented by cash and investments as at 30 June 2005 compared to only 10.75% as at 30 June 2004. It is trusted that the further improvement of the credit control & debt collection processes in future financial years will further improve the cash funding of reserves & provisions .

Total expenditure exceeded the budgeted figure by R 6.2 million or 2.00% largely due to the following:

Excess expenditure	
Electricity purchases	R 4.54 million
Rates rebates	R 2.59 million
Dept Rates	R 3.15 million
Savings	
Salaries & wages	R 1.60 million
FBE	R 2.71 million

The provision for working bad debt was increased from R 23 million in the 2003/2004 financial year to R26.025 million in the 2004/2005 financial year. A total amount of R 83.3 million is provided for bad debts. Total revenue exceeded the budgeted figure by R 8.06 million or 2.61% which can largely be contributed to additional revenue generated by Newcastle Municipal Waste Removal Services that were not budgeted for. Interest on internal advances was not processed in line with the section 28 adjustments budget approved by Council in terms of the MFMA. Urgent steps have been introduced to recover outstanding debts as well as to increase the payment factor. This will reduce the amount required for bad debt provision in future which, in turn, will reduce the pressure on the expenditure side of the operating budget as well as on tariff increases required to balance the budget.

An International Advisor has been assigned to the Newcastle Municipality in March 2004 who made a huge contribution with regard to the budget reforms and the implementation of the MFMA. Due to capacity constraints, specifically the inability to attract qualified applicants for the vacant positions advertised, the establishment a fully functional budget office has not been achieved by 30 June 2005. The implementation of the MFMA with effect from 1 July 2004 and the preparation for the implementation of the supply chain management with effect from 1 October 2005 proved to be daunting and challenging and not all deadlines were met due to competing priorities and an insufficient staff compliment.

Council's water and sanitation services were transferred to uTukela Water (Pty) Ltd (UTW) in terms of a 30 year water service provider agreement entered into with effect from 1 July 2004. All assets and liabilities, with the exception of water & sanitation debtors and the provision for non – payment, were transferred to the water service provider. An amount R 18.736 million representing Newcastle Municipality's nett. asset value in UTW is shown under long term investments in the balance sheet. In terms of an authorisation published in the Government Gazette No 24228 dated 3 January 2003 the Newcastle Local Municipality became a Water Services Authority with effect from 1 July 2003. The said authorisation included the transfer of assets, rights, liabilities, obligations and staff. The assets of the Ngagane Water Purification Plant are however not reflected in the fixed assets of the Newcastle Municipality as at 30 June 2005 due to the fact that the Amajuba District Municipality refused to transfer the assets as at 30 June 2005. The Executive Committee of the Amajuba District Municipality recently resolved that the asset will be transferred to Newcastle Municipality on 1 July 2005.

Housing Services are included in the balance sheet of the Newcastle Municipality. In terms of the provisions of the Housing Act, Act No. 107 of 1997 the financial results for the Housing Services are also shown separately in a memorandum statement as at 30 June 2005.

3.2. OPERATING RESULTS

Details of the operating results per department and categories of expenditure are contained in Appendix "D" and "E". The relevant statistics appear in Appendix "F". The overall operating results for the financial year ending 30 June 2005 are as follows:

	Actual 2004/07/01 to 2005/06/30	Estimates 2004/2005	Variance Actual/ Estimate
	R	R	%
INCOME			
Surplus at beginning	8,458,443		
Corrections i.r.o. previous year's transactions	8,672,575		
Operating income	317,191,310	309,128,880	2.61%
	334,322,328		
EXPENDITURE			
Operating expenditure	317,465,524	311,247,100	-2.00%
Surplus / (Deficit) at year end	16,856,804		
	334,322,328		
RATES & GENERAL SERVICES			
Income	174,567,280	167,725,490	4.08%
Expenditure	189,450,001	184,814,690	-2.51%
Surplus/(Deficit)	14,882,721	17,089,200	
ELECTRICITY SERVICES			
Income	140,679,910	139,841,760	0.60%
Expenditure	126,271,611	124,144,320	-1.71%
Surplus/(Deficit)	-14,408,299	-15,697,440	
WATER SERVICES			
Income	0	0	0.00%
Expenditure	71,290	0	0.00%
Surplus/(Deficit)	71,290	0	
PARKING SERVICES			
Income	992,619	352,910	181.27%
Expenditure	721,122	1,172,320	38.49%
Surplus/(Deficit)	-271,497	819,410	
HOUSING SERVICES			
Income	951,500	1,208,720	-21.28%
Expenditure	951,500	1,115,770	14.72%
Surplus/(Deficit)	0	-92,950	

3.3. CAPITAL EXPENDITURE AND FINANCING

Expenditure was incurred on the following asset types:

Land	4,949,814	11,862,400	58.27%
Buildings	23,351,978	61,115,000	61.79%
Air-conditioning	53,564	0	100.00%
Service Connections	690,237	0	100.00%
Construction	22,560,900	23,074,310	2.23%
Sewerage Reticulation	0	8,374,280	100.00%
Electricity Distribution	1,335,594	1,006,720	-32.67%
Water Reticulation	1,238	0	100.00%
Streetlights	1,790,493	2,450,000	26.92%
Furniture	69,862	200,000	65.07%
Office Machines	739,878	13,641,810	94.58%
Tools	39,183	7,235,100	99.46%
Machinery	442,032	765,000	42.22%
Vehicles and Tractors	1,752,350	9,100,000	80.74%
Radios	0	0	0.00%
Dams	0	0	0.00%
Robots	0	0	0.00%
Fencing	9,204	0	0.00%
	57,786,327	138,824,620	58.37%

The capital expenditure has been financed as follows:

General Capital – Donations	17,266,310
Housing Funds	21,263,554
KZNPA Libraries	415,834
Revenue Contributions	690,237
Consolidated Loans Fund	995,033
Public Improvement Fund	14,516
Consolidated Capital Development Fund	17,140,843
	57,786,327

3.4. EXTERNAL LOANS

External loans outstanding on 30 June 2005 amounted to R 13.080 million with outstanding lease agreements amounting to R 2.486 million. During the financial period loan redemptions in the amount of R 34 864 were made and repayments on lease agreements amounted to R 1 701 682.

3.5. FUNDS AND RESERVES

More information on funds and reserves is disclosed in Annexure "A" to the financial statements.

3.6. CASH & INVESTMENTS

The total investments as at 30 June 2005 amounted to R 124 226 966 and were made up as follows:

Housing Development	R 274 031
Long Term Investment in UTW	R 18 736 353
Investments Excluding Housing Grants	R 34 619 057
Housing Grants	R 70 597 525

Cash in the bank & investments (excluding Housing) as at 30 June 2005 amounted to R 45 258 490. This represents a cash inflow of R 7 600 300 during 2004/2005. This is a significant turnaround if compared to the cash outflows of R 14 266 420 in 2003/2004, R 22 565 422 in 2002/2003 and R31 526 420 in 2001/2002. This improvement is a direct result of improved credit control & debt collection as well successful claims with SARS following a VAT audit conducted by a private company during 2004/2005.

4.7 POST BALANCE SHEET EVENTS

Similar to the previous financial year and in line with section 101 of the Municipal Finance Management Act uThukela Water (Pty) Ltd, the Water Service Provider appointed by Council, again in August 2005 informed the Newcastle Municipality and other shareholders of imminent financial problems. The causes of the financial problems is claimed to be the poor payment factor especially in the Newcastle East area and the inability of the Newcastle Municipality to meet the shortfall invoice of ± R 28 million submitted to Newcastle Municipality in terms of the water service provider agreement. Council and the uThekela Board agreed to transfer the entire customer care function, including billing and debt collection, back to Newcastle Municipality in an attempt to increase the collection rate. Solutions are still being sought, together with the other shareholders, with regard to the amount claimed and the possible payment of the shortfall invoice submitted to the Newcastle Municipality.

The report on the Ministerial enquiry into the affairs leading up to the expulsion of Utukela District Municipality from the partnership revealed a number of serious discrepancies within uThukela Water. Comments by the Newcastle Municipality on this report were submitted to the Office of the Minister as required and a further response from the Office of the Minister is awaited.

4.7 WORD OF THANKS

I wish to extend a word of thanks to Councillors, the Municipal Manager, Directors, colleagues and the two International Advisors appointed to Newcastle for the support they have given the staff.

A special word of thanks is extended to the staff of the Financial/Treasury Services Directorate for their valuable input and support.

E C LE ROUX
CHIEF FINANCIAL OFFICER

4. ACCOUNTING POLICY

4.1. BASIS OF PRESENTATION

4.1.1. The financial statements have been compiled to comply with the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice (1992) and the Report on the Standardisation of Financial Statements of Local Authorities (6th Edition – June 1996).

4.1.2. The financial statements are prepared on the historical cost basis and adjusted for capital expenditure as explained in paragraph 5.3. The accounting policy is the same as for the previous year except where otherwise stated.

4.1.3. The financial statements are compiled on the accrual basis:

- Income is accrued when collectable and measurable. Certain income is accrued when received such as traffic fines and certain licences.
- Expenditure is accrued in the year it is incurred.

4.2. CONCLUSION

The balance sheet includes rates and general services, trading services as well as the various funds, reserves and provisions. All interdepartmental transactions have been offset against each other. Departmental assessment rates, electricity, refuse removal, sewerage and water have been shown as income and expenditure under the respective departments. Housing Services are included in the consolidated balance sheet, but are also shown separately as a memorandum statement in terms of the provisions of the Housing Act, No. 107 of 1997.

4.3. FIXED ASSETS

4.3.1. Fixed assets are stated:

- at historical cost; or
- at valuation (based on market price at the date of acquisition) where assets have been obtained by means of grants or donations whilst they exist and are serviceable, except in the case of bulk assets, which are written off at the end of their estimated life, in accordance with paragraph C 3.2 of the Council's Financial Policy including Guidelines for Preparation of Annual Estimates.

4.3.2. Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet, is the equivalent to a provision for depreciation. However, certain structural differences between the two concepts do exist. In terms hereof assets financed from "Provisions" are written off over their estimated useful life. In addition to the various Council funds assets can also be acquired as follows:

- Appropriations from income, where the total cost of an asset becomes an immediate and direct charge against the operating income, and it is therefore not necessary to make any further provision for depreciation.

- Grants or donations, where the amount which represents the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.
- 4.3.3. All net proceeds from the sale of fixed property are credited to the Public Improvement Fund. The net returns on the sale of all other assets are credited to the relevant Capital Development Funds.
- 4.3.4. Loans and advances are repaid over the estimated useful life of the asset which is financed from such loan or advance. Internal advances are redeemed according to the fixed instalment method which commences in the year following the financial year in which the advances were made.

4.4. STORES

The value of stores and material is disclosed at average cost as at 30 June 2005. A stores levy of R16,00 per official order and 16% on issues is debited to the applicable expenditure votes.

4.5. FUNDS AND RESERVES

All funds, provision for housing maintenance and rental losses as well as all reserves not immediately required are invested in the consolidated loans fund. Interest is calculated at the average interest rate during the financial year. No interest was calculated on the accumulated surplus as at 30 June 2004.

4.5.1. Consolidated Loans Fund

Council operates a consolidated loans fund as provided in the Local Authorities Ordinance of Natal, No. 25 of 1974.

Advances to borrowing accounts are repayable over the estimated life of the assets according to the fixed payment method at an interest rate equal to the cost of the Fund's capital requirements.

4.5.2. Capital Development Funds

Contributions towards the various capital development funds are approved by Council at the end of each financial period as well as interest rates and advances made to borrowing services. Due to budget constraints and the effect on tariffs no contribution was made to the Capital Development Fund during the 2004/2005 financial year. Approval for this has been obtained from the Dept. of Traditional & Local Government Affairs.

4.5.3. Insurance Reserve

Council operates an insurance reserve account to defray costs in respect of claims outside the insurance portfolio.

4.5.4. Tariff Stabilisation Fund

In order to limit the impact on tariffs no contribution was made from the operating budget to the Tariff Stabilisation Fund during the financial year under review. Due to this fund not being cash backed as at 30 June 2004 Council approved the abolishment of the fund as at 30 June 2004.

4.5.5. Provisions

Statutory provisions for maintenance and renewals and rental losses in respect of housing services are being observed.

4.6. RETIREMENT BENEFITS

4.6.1. The Newcastle Municipality and employees contribute to the under mentioned Pension Funds:

- Natal Joint Municipal Pension Fund (Superannuation)
- Natal Joint Municipal Pension Fund (Retirement)
- KwaZulu-Natal Joint Municipal Provident Fund
- Government Employees Pension Fund

The percentage contributions on gross salary are as follows:

	<u>Council</u>	<u>Member</u>
Natal Joint Municipal Pension Fund (Superannuation)	18,00%	9,25%
Natal Joint Municipal Pension Fund (Retirement)-Old	8,65%	18,00%
Natal Joint Municipal Pension Fund (Retirement)-New	13,65%	7,00%
KwaZulu-Natal Joint Municipal Provident Fund	9,75%	5,00%
KwaZulu-Natal Joint Municipal Provident Fund	13,65%	7,00%
KwaZulu-Natal Joint Municipal Provident Fund	18,00%	9,25%
Government Employees Pension Fund	13,00%	7,50%

4.6.2. Eligible Councillors are members of the Pension Fund for Municipal Councillors.

The Council's contribution amounts to 15,00 % whilst the Councillors contribute 13,75 % of gross allowance.

4.7. LEASED ASSETS

Fixed assets held under finance leases are capitalised. Such leases are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged the operating account in a systematic manner related to the period of use of the asset concerned.

4.8. ADMINISTRATION CHARGES

A fixed administration charge of 10% on services rendered is being recovered in terms of Council's tariffs of charges. In terms of Section 109(1) (i) and (ii) of Ordinance No. 25 of 1974, an administration charge is being levied on capital projects on a sliding scale between 1% and 10%.

4.9. INVESTMENTS

The value of investments is disclosed at cost and investments are made in terms of Council's policy and in accordance with Section 125 of Ordinance No. 25 of 1974.

4.10. DEFERRED CHARGES

No deferred charges are outstanding as at 30 June 2005

4.11. REVENUE - RECOGNITION

4.11.1. Electricity and Water Charges

All meters are read and invoiced monthly, except in the case of the incorporated areas where no water meters have been installed for residential properties. In respect of the incorporated areas (residential) a "flat rate" for water consumption is being applied. Electricity is supplied by and payable to Eskom.

4.11.2. Assessment Rates

The Council uses a differentiated stand value tax system. According to this system assessment rates are levied on the land value of properties and rebates are granted according to the usage of a particular property. Rebates are granted to owners of land used for single residential purposes.

Pensioners, who comply with the criteria as determined by the Council, may apply for additional rebates.

NEWCASTLE BALANCE SHEET AS AT 30 JUNE 2005

	NOTE	2005 R	2004 R
CAPITAL EMPLOYED			
Funds and Reserves		206,889,989	209,438,906
Accumulated Funds	1	201,312,832	203,864,755
Reserves	2	5,577,157	5,574,152
Accumulated Surplus	16	16,856,804	6,444,281
		223,746,794	215,883,187
Trust Funds	3	2,409,250	2,256,905
Long Term Liabilities	4	13,238,160	647,198
		239,394,204	218,787,293
EMPLOYMENT OF CAPITAL			
Fixed Assets	5	135,612,359	148,193,545
Investments	6	18,736,353	3,368,013
Long Term Debtors	7	14,153,685	7,128,599
		168,502,398	158,690,158
Nett Operating (Liabilities)/Assets		70,891,806	60,097,138
Current Assets			
Stock	8	4,041,062	5,742,987
Debtors	9	144,742,285	109,231,851
Investments	6	105,490,613	134,363,819
Cash and Bank		12,645,856	6,900,124
Suspense			
Operating Liabilities		196,028,010	196,141,643
Provisions	10	16,189,535	16,960,226
Creditors	11	177,509,180	148,126,666
Cash and Bank			
Loans : Short Term Portion	4	2,329,295	986,489
Suspense		0	30,068,263
		239,394,204	218,787,293

Certified correct :

E C LE ROUX
CHIEF FINANCIAL OFFICER

A R HOOSEEN
MUNICIPAL MANAGER

NEWCASTLE INCOME STATEMENT FOR THE YEAR ENDING 30 JUNE 2005

Actual Income 2004 R	Actual Expenditure 2004 R	Actual Surplus (Deficit) 2004 R	Actual Income 2005 R	Actual Expenditure 2005 R	Actual Surplus (Deficit) 2005 R	Budget Surplus (Deficit) 2005 R
RATES AND GENERAL SERVICES						
186,171,262	190,692,685	(4,521,424)	174,567,280	189,450,001	(14,882,721)	(17,078,180)
118,568,571 2,346,092 65,256,599	115,447,768 15,143,952 60,100,965	3,120,802 -12,797,860 5,155,634	Community Services Subsidised Services Economic Services	126,131,315 2,118,693 46,317,273	123,823,772 17,666,767 47,959,462	2,307,543 (15,548,074) (1,642,189)
181,205,806	177,718,697	3,487,109	TRADING SERVICES	141,672,530	127,064,023	14,608,507
1,075,165	1,075,165	0	HOUSING SERVICES	951,500	951,500	-
368,452,233	369,486,547	-1,034,314	TOTAL	317,191,310	317,465,524	-274,214
			Appropriations (see note 17)		10,686,737	
		-207,241				
			-1,241,555	Net Surplus / (Deficit)		10,412,524
			7,685,836	Unappropriated Surplus/ (Accumulated Deficit) at Beginning of Period		6,444,281
			6,444,281	Unappropriated Surplus/ (Accumulated Deficit) at End of Period		16,856,804

NEWCASTLE CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005

	NOTE	2005 R	2004 R
CASH RETAINED FROM OPERATING ACTIVITIES		(54,400,211)	123,925,670
Cash Generated/(Utilised) by Operations	17	-80,558,419	39,849,952
Investment Income	15.1	2,702,463	4,091,112
(Decrease)/Increase in Working Capital	18	(34,058,984) (111,914,941)	(79,081,096) (35,140,032)
Less: Interest Paid (External)	15.1	38,372	41,374
Cash Utilised From Operations		(111,953,313)	(35,181,406)
Cash Contributions and Donations		57,473,102	159,057,076
Proceeds on Sale of Assets		80,000	50,000
CASH UTILISED IN INVESTING ACTIVITIES		31,424,677	(58,599,823)
Investment in Infrastructure - Capital Expenditure		38,449,766	(57,863,283)
(Increase)/Decrease in Long Term Debtors		(7,025,089)	(736,540)
NETT CASH INFLOW / (OUTFLOW)		(22,975,534)	65,325,847
CASH EFFECTS OF FINANCINGACTIVITIES			
Increase/(Decrease) in Consumer Deposits		1,282,631	336,746
(Decrease)/Increase in Long Term Borrowings	19	13,933,768	(981,306)
(Increase) / Decrease in External Cash & Investments	20	13,504,867	-72,595,039
Decrease/(Increase) in Cash & Cash Equivalents	21	(5,745,732)	7,913,752
NETT CASH (GENERATED)/UTILISED		22,975,534	(65,325,847)

NOTES TO THE NEWCASTLE FINANCIAL STATEMENTS AS AT 30/06/2005

	2005	2004
	R	
1. ACCUMULATED FUNDS		
Consolidated Capital Development Fund	143,597,670	154,288,398
Public Improvement Fund	47,555,647	40,642,159
Housing Development	10,159,515	8,934,198
(Refer to Annexure A for more details)	201,312,832	203,864,755

2. RESERVES

Insurance	4,178,639	4,230,783
Study Loans	1,398,518	1,343,369
(Refer to Annexure A for more details)	5,577,157	5,574,152

3. TRUST FUNDS

Albert Dunton Memorial Trust	5,925	5,550
Crawford Trust	607	568
O R Nel Trust	8,868	8,308
Stanton Charity	1,937	1,815
Lennoxton Trust	698,227	654,076
Indian Children / Family Welfare	44,191	41,397
Housing Community Facilities	1,649,495	1,545,191
(Refer to Annexure A for more details)	2,409,250	2,256,905

4. LONG TERM LIABILITIES

DBSA	12,741,059	-
Annuity Loans	65,673	86,137
Leased vehicles	2,486,692	1,259,119
Government Loans	274,031	288,431
	15,567,455	1,633,687
Less: Portion Transferred to Current Liabilities	(2,329,295)	(986,488)
DBSA	-1,663,564	-
Annuity Loans	-22,093	(20,464)
Leased vehicles	-627,573	(951,624)
Government Loans	-16,065	(14,400)
	13,238,160	647,198

(Refer to Annexure B for more details)

4.2 EXTERNAL LOANS

DBSA loan bears interest at 9.26% & 9.10% per annum and will be redeemed at 30 June 2015
 Annuity loans bear interest at rates between 2% and 12.75% per annum and will be redeemed at 31 December 2008.

ANNUITY LOANS

Annuity loans bear interest at rates between 2% and 12.75% per annum and will be redeemed at 31 December 2008.

Note : None of the loans are secured by any of Newcastle Local Council's assets. Liabilities w.r.t. leased vehicles are secured by the vehicles.

NOTES TO THE NEWCASTLE FINANCIAL STATEMENTS AS AT 30/06/2005

	2005	2004
	R	
5. FIXED ASSETS		
Fixed assets at the beginning of the period	437,412,904	388,589,513
Capital expenditure during the period	57,785,441	57,863,284
Less: Written Off, Transferred or Disposed Of	<u>119,723,290</u>	<u>9,039,893</u>
Total Fixed Assets	<u>375,475,055</u>	<u>437,412,904</u>
Less: Loans Redeemed and Other Capital Receipts / Not Utilised Donations	<u>239,862,694</u>	<u>289,219,359</u>
Net Fixed Assets	<u>135,612,359</u>	<u>148,193,545</u>

(Refer to Annexure C and Section 4.3 of the Treasurer's Report for more details)

* Assets of the Ngagane Water Purification Works Have not been Transferred to the Newcastle Municipality as at 30 June 2005

6. INVESTMENTS

Unlisted

Newcastle Waste Removal Services	-	1,051
Galaxy Unit Trust	-	3,078,531
Call account with Banks	76,870,551	123,958,361
Short Term Deposits with Banks	28,346,031	10,405,458
Housing Advance To CLF	274,031	288,431
Long Term Investment in UTW	<u>18,736,353</u>	<u>-</u>
	<u>124,226,966</u>	<u>137,731,832</u>

No investments have been written off during the year.

7. LONG TERM DEBTORS

Land Sales	5,597,203	1,005,779
Motor Car Loans	2,206,156	4,186,598
Staff Housing Loans	29,781	37,199
Study Loans and Bursaries	536,839	526,363
Housing	3,819,142	4,085,069
UTW Water Meters N/C East	<u>4,269,691</u>	<u>-</u>
Less: Portion Transferred to Current Debtors	<u>16,458,811</u>	<u>9,841,007</u>
	<u>2,305,126</u>	<u>2,712,408</u>
	<u>14,153,685</u>	<u>7,128,599</u>

8. INVENTORY

Consumable Stock	<u>4,041,062</u>	<u>5,742,987</u>
------------------	------------------	------------------

When necessary, obsolete stock is written off with Council's approval and sold by public auction.

9. DEBTORS

Housing Debtors	361,520	436,043
Debtors: Suspense Accounts	13,237,332	-
Current Debtors (Consumers & Others)	205,456,521	193,778,994
Add Short Term Portion Transf. from Long Term Debtors	<u>2,305,126</u>	<u>2,712,408</u>
Current Debtors	<u>221,360,500</u>	<u>196,927,445</u>
Receipts in Advance	<u>6,722,821</u>	<u>3,039,591</u>
Less: Provision for Bad Debts	<u>228,083,321</u>	<u>199,967,036</u>
	<u>83,341,036</u>	<u>90,735,185</u>
	<u>144,742,285</u>	<u>109,231,851</u>

NOTES TO THE NEWCASTLE FINANCIAL STATEMENTS AS AT 30/06/2005

	2005	2004
	R	

10 PROVISIONS

Loan Redemption	3,078,531	3,078,531
Surplusses and Deficits	21,093	17,866
Audit Fees	-237,649	89,777
Leave	8,067,728	8,705,637
Housing Repairs & Maintenance	2,592,996	2,572,579
Housing Rental Losses	2,666,835	2,495,835
(Refer to Annexure A for more details)	16,189,535	16,960,226

11 CREDITORS

Housing	74,192,214	105,278,551
Trade Creditors	34,863,274	32,390,957
Debtors	6,722,821	3,039,591
Suspense Accounts: Insurance	526,616	-
Suspense Accounts: Other	52,534,563	-
Deposits	8,669,692	7,417,568
Electricity and Water	8,454,840	7,245,484
Other	160,942	117,747
Housing	53,911	54,337
	177,509,180	148,126,666

Guarantees held for consumer services instead of cash deposits amounted to R 4 760 904 (30/06/04: R 2 410 106)

12.(a) ASSESSMENT RATES

	Site Valuations as at 30/06/2004	Actual Income 01/07/2004 to 30/06/2005	Actual Income 01/07/2003 to 30/06/2004
	R	R	R
Residential	73,948,845	36,565,927	27,338,253
Commercial	71,182,930	35,422,164	28,235,486
Industrial	8,104,660	6,316,768	5,295,342
	153,236,435	78,304,860	60,869,081

Valuations are carried out on an annual basis and the last general valuation came into effect on 1 July 1989.

The basic rate was 50.70 cents per rand on land only in Newcastle West & East and 41.60 cents per rand on land only in Ingagane/Kilbarchan.

A rebate of 20% was allowed on commercial & vacant properties of the State

12.(b) SITE LEVIES

Madadeni : Rateable	4,255,130	2,038,682	1,699,635
Madadeni : CAT System	13,058,559	10,936,581	
	4,255,130	15,097,241	12,636,216
Osizweni : Rateable	2,022,500	939,680	807,979
Osizweni : CAT System	11,008,735	9,364,427	
	2,022,500	11,948,415	10,172,406

12.(c) ASSESSMENT RATES CHARLESTOWN

General Rate - Land	793,100	265,640	219,286
General Rate - Water (Discontinued wef 1 July 2004)	-	-	10,899
	793,100	265,640	230,185

NOTES TO THE NEWCASTLE FINANCIAL STATEMENTS AS AT 30/06/2005

	2005	2004
		R

**Valuations on land & buildings are performed every five years and the last general valuation came into effect on 1 July 1999.
The basic rate was 36.45 cents per rand on the value of land only.
A rebate of 20% was allowed on commercial & vacant properties of the State**

13. COUNCILLORS REMUNERATION

Mayor's Allowance	357,855	300,438
Deputy Mayor's Allowance	295,601	278,894
Councillors Allowances	5,997,399	5,342,796
Councillors Pension Contributions	466,001	440,777
	<hr/>	<hr/>
	7,116,856	6,362,905
	<hr/>	<hr/>

14. AUDITORS REMUNERATION

Current	638,334	573,664
	<hr/>	<hr/>

15. FINANCE TRANSACTIONS

15.1 TOTAL EXTERNAL INTEREST RECEIVED OR PAID

Interest Earned	2,702,463	4,091,112
Interest Paid	38,372	41,374
	<hr/>	<hr/>

15.2 CAPITAL CHARGES DEBITED TO OPERATING ACCOUNT

Interest : Vehicles under Gen Expenditure	81,242	252,942
Interest : Internal and External	2,793,715	12,201,243
Redemption : External	2,154,556	3,425,568
Redemption : Internal	8,775,489	9,441,570
Redemption : Vehicles under Gen Expenditure	824,843	760,084
Depreciation	49,276	-
	<hr/>	<hr/>
	14,679,121	26,081,407
	<hr/>	<hr/>

16. APPROPRIATIONS

16.1 APPROPRIATION ACCOUNT

Accumulated surplus at beginning of year	6,444,281	7,685,836
Operating surplus / (deficit) for the year	-274,214	(1,034,314)
Appropriations for the year	10,686,737	(207,241)
Contribution from rates stabilisation	-	-
Adjustments : Previous Year	10,686,737	(207,241)
	<hr/>	<hr/>
Accumulated surplus at end of year	16,856,804	6,444,281
	<hr/>	<hr/>

16.2 OPERATING ACCOUNT

NOTES TO THE NEWCASTLE FINANCIAL STATEMENTS AS AT 30/06/2005

	2005	2004 R
Capital Expenditure	689,520	2,396,999
Contributions		
Capital Development Fund	-	1,787,596
Provision for Bad Debts	26,025,440	23,000,000
Provision for Repairs and Maintenance	-	121,425
Leave Reserve	3,661,407	3,858,246
Vehicle Reserve	-	-
Insurance Reserve	-	-
Equipment	78,577	118,934
Provision for Audit Fees	551,404	389,998
Housing - Rental losses	15,992	16,072
Housing - Maintenance	120,722	146,833
	31,143,062	31,836,103

17. CASH GENERATED BY OPERATIONS

(Deficit)/Surplus for the year	-274,214	(1,034,314)
Adjustment in respect of : Prior Year Adjustments	10,686,737	(207,241)
17.1 Operating Transactions		
Appropriations Charged Against Income	30,935,437	32,630,134
- Funds	0	1,787,607
- Provisions	30,245,913	27,532,587
- Reserves	-	-
- Fixed Assets	689,524	3,309,941
Capital Charges	29,158,167	22,232,423
- Interest Paid:		
- to Internal Funds	7,102,428	9,107,867
- to External Funds		
- Redemption		
- of Internal Advances	20,949,193	13,092,694
- of External Loans	1,106,547	31,862
17.2 Non Operating Income		
- Credited to Funds Provisions & Reserves	35,685,861	34,406,206
- From Grants	-18,527,560	(30,510,324)
17.3 Non Operating Expenditure		
- Debited to Funds	-14,861,173	(577,846)
- Debited to Provisions & Reserves	-153,361,676	(17,089,086)
	(80,558,419)	39,849,952

18 (DECREASE)/INCREASE IN WORKING CAPITAL

Increase / (Decrease) in Provisions	-649,997	(15,211,896)
(Decrease)/Increase in Funds & Reserves	1,701,925	(179,075)
(Increase) / Decrease in stocks	-29,459,301	(57,580,204)
(Increase) / Decrease in debtors	24,416,652	(12,201,878)
(Decrease)/Increase in creditors and deposits	-30,068,263	6,091,957
Increase / (Decrease) in suspense accounts	(34,058,984)	(79,081,096)

NOTES TO THE NEWCASTLE FINANCIAL STATEMENTS AS AT 30/06/2005

	2005	2004
	R	
19 (DECREASE) / INCREASE IN EXTERNAL LONG TERM LOANS		
Raised	15,040,315	-
Repaid	-1,106,546	(981,306)
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	13,933,768	(981,306)

20 DECREASE / (INCREASE) IN EXTERNAL INVESTMENTS

Investments made	-47,772,635	(232,272,409)
Investments realised	61,277,502	159,677,371
	<hr/> <hr/>	<hr/> <hr/>
	13,504,867	(72,595,039)

21 DECREASE / (INCREASE) IN CASH ON HAND

Cash balance at beginning of year	6,900,124	14,813,876
Less : Cash balance at end of year	12,645,856	6,900,124
	<hr/> <hr/>	<hr/> <hr/>
	(5,745,732)	7,913,752

22 CONTINGENT LIABILITY

Guarantees for staff housing loans with financial institutions	116,540	116,540
	<hr/> <hr/>	<hr/> <hr/>

23 CONSOLIDATED LOANS FUND

OUTSTANDING ADVANCES TO BORROWING SERVICES

External Loans	13,080,763	(374,568)
Internal Investments	70,928,837	82,988,962
Suspense - Loan Debt Premium	-	-
	<hr/> <hr/>	<hr/> <hr/>
Less :	84,009,600	82,614,394
Deferred Charges	56,197,242	42,024,922
Cash and Investments	-	-
Outstanding Internal Advances	56,197,242	42,024,922
	<hr/> <hr/>	<hr/> <hr/>
	27,812,358	40,589,472

NET EXPENDITURE CHARGED TO BORROWING SERVICES

(AVERAGE RATE : 12.267%)

Interest paid on External Loans	38,372	41,374
Interest paid on Internal Investments	6,737,802	9,105,703
Deferred Charges Written Off	-	-
Bank Charges	26,825	22,346
Audit Fees	384	41
Profit/(Loss) Realisation: Own Stock/Investments	-681,722	31,986
	<hr/> <hr/>	<hr/> <hr/>
Less : Interest earned on External Investments	6,121,661	9,201,451
Internal Interest Received	2,702,463	4,091,112
	<hr/> <hr/>	<hr/> <hr/>
	3,419,198	5,110,338

24 CONSOLIDATED CAPITAL DEVELOPMENT FUND

NOTES TO THE NEWCASTLE FINANCIAL STATEMENTS AS AT 30/06/2005

	2005	2004
	R	
OUTSTANDING ADVANCES TO BORROWING SERVICES		
Accumulated Funds	143,597,670	154,288,398
Less : Internal Investments in Consolidated Loans Fund	<u>65,896,269</u>	<u>77,957,934</u>
Outstanding Internal Advances	<u><u>77,701,401</u></u>	<u><u>76,330,464</u></u>

25 CAPITAL COMMITMENTS

Commitments in respect of capital budget	<u><u>122,096,475</u></u>	<u><u>138,824,620</u></u>
This expenditure will be financed from :		
External Loans	4,192,350	28,950,100
Internal Loans	-	16,673,830
Revenue	-	-
Funds ex DC/TMC	-	-
CMIP	21,360,130	14,422,100
Grants and Subsidies	<u>96,543,995</u>	<u>78,778,590</u>
	<u><u>122,096,475</u></u>	<u><u>138,824,620</u></u>

ANNEXURE A NEWCASTLE

ACCUMULATED FUNDS, TRUST FUNDS, RESERVES AND PROVISIONS

	Balance 30/6/2004	Contributions	Interest Received	Other Revenue	Expenditure	Balance 30/6/2005
	R	R	R	R	R	R
ACCUMULATED FUNDS						
Consolidated Capital Development Fund	154,288,398	-	2,630,588	80,000	13,401,316	143,597,670
Public Improvement Fund	40,642,159	-	86,496	7,040,952	213,959	47,555,647
Housing development	8,934,198	-	603,075	1,868,140	1,245,897	10,159,515
	203,864,755	-	3,320,159	8,989,091	14,861,173	201,312,832
TRUST FUNDS						
Albert Dunton Memorial Trust	5,550	-	375	-	-	5,925
Crawford Trust	568	-	38	-	-	607
O R Nel Trust	8,308	-	561	-	-	8,868
Stanton Charity	1,815	-	123	-	-	1,937
Lennoxton Trust	654,076	-	44,151	-	-	698,227
Indian Children / Family Welfare	41,397	-	2,794	-	-	44,191
Housing Community Facilities	1,545,191	-	104,303	-	-	1,649,495
	2,256,905	-	152,345	-	-	2,409,250
RESERVES						
Insurance	4,230,783	-	243,919	353,935	649,997	4,178,639
Study Loans	1,343,369	-	55,149	-	-	1,398,518
	5,574,152	-	299,069	353,935	649,997	5,577,157
PROVISIONS						
Loan Redemption	3,078,531	-	-	-	-	3,078,531
Surpluses and Deficits	17,866	-	-	6,262	3,035	21,093
Audit Fees	89,777	495,240	-	378,037	1,200,703	(237,649)
Leave	8,705,637	3,590,510	-	3,767,550	7,995,969	8,067,728
Housing Repairs & Maintenance	2,572,579	120,727	173,654	296,734	570,698	2,592,996
Housing Rental Losses	2,495,835	15,996	168,474	2,006	15,475	2,666,835
	16,960,226	4,222,473	342,127	4,450,588	9,785,880	16,189,535

ANNEXURE B NEWCASTLE

EXTERNAL LOANS AND INTERNAL ADVANCES

	Balance 30/6/2004 R	Received R	Redeemed or written off R	Balance 30/6/2005 R
EXTERNAL LOANS				
DBSA	-	12,741,059	-	12,741,059
ANNUITY LOANS	86,137	-	20,464	65,673
LEASED VEHICLES	1,259,119	2,299,255	1,071,682	2,486,692
HOUSING DEVELOPMENT	288,431	-	14,400	274,031
	1,633,687	15,040,315	1,106,547	15,567,455

INTERNAL ADVANCES TO BORROWING SERVICES

CLF	40,589,472	995,033	13,772,148	27,812,358
CCDF	76,330,464	17,140,828	15,769,891	77,701,401
PIF	526,636	-	58,857	467,779
	117,446,573	18,135,861	29,600,896	105,981,538

ANNEXURE C **NEWCASTLE**

ANALYSIS OF FIXED ASSETS

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Expenditure 2003/2004	Services	Budget 2004/2005	Balance 30/6/2004	Expenditure 2004/2005	Written off, Transferred or Redeemed during the year	Balance 30/6/2005
R	R	R	R	R	R	R
9,692,632	RATES & GENERAL SERV	75,867,900	212,064,938	32,483,271	-46,835,349	197,712,860
8,491,174	Community & Subsidised Services	50,671,490	167,899,363	32,367,755	(9,900,135)	190,366,983
1,201,458	Economic Services	25,196,410	44,165,575	115,516	-36,935,214	7,345,877
1,042,574	Sewerage	9,105,280	35,694,272	-	(35,694,272)	-
158,884	Cleansing	16,091,130	8,471,303	115,516	(1,240,942)	7,345,877
16,053,924	TRADING SERVICES	6,756,720	144,699,439	4,024,100	-70,578,591	78,144,949
6,039,219	Electricity	5,066,720	69,482,835	4,020,514	-2,278,437	71,224,913
10,014,705	Water	1,690,000	68,078,672	3,586	-68,082,258	-
-	Parking Areas	-	7,137,932	-	-217,897	6,920,036
460,557	TOWNSHIP DEVELOPMENT	-	48,807,690	14,516	-2,288,262	46,533,944
24,693,290	HOUSING SERVICES	56,200,000	31,840,835	21,263,554	(21,088)	53,083,301
50,900,403	TOTAL FIXED ASSETS	138,824,620	437,412,902	57,785,441	-119,723,290	375,475,055
LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS						
			289,219,359	39,635,064	88,991,730	239,862,694
			249,380,828	18,371,510	88,954,230	178,798,108
Loans Redeemed and Advances Repaid		132,365,003	0	19,145,125	113,219,878	
Subsidies and Donations		90,939,715	17,681,986	57,163,510	51,458,190	
Contributions by Developers		12,983,859	0	2,881,158	10,102,701	
Revenue Contributions		13,092,251	689,524	9,764,436	4,017,339	
Housing Services		39,838,531	21,263,554	37,500	61,064,586	
NETT FIXED ASSETS		148,193,543	18,150,377	(30,731,560)	135,612,359	

ANNEXURE D: NEWCASTLE

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005**

Actual 2004 R		Actual 2005 R	Budget 2005 R
REVENUE			
30,510,324	Governmental and Provincial Grants and Subsidies	18,527,560	18,527,560
337,941,806	Revenue from Tariffs, Service Charges, etc.	298,663,688	290,601,320
<u>368,452,130</u>		<u>317,191,248</u>	<u>309,128,880</u>
EXPENDITURE			
96,775,296	Salaries, wages and Allowances	92,518,658	95,846,290
250,627,203	General Expenses	218,555,477	202,385,790
30,472,727	Repairs & Maintenance	25,094,424	24,382,230
-215,096	Less: Contribution from Reserves	(273,961)	(133,340)
25,068,381	Capital Charges	13,773,036	19,553,300
29,320,170	Contribution towards Reserves	21,374,966	21,259,930
118,934	Inventory Items	78,577	82,610
<u>2,396,999</u>	Contribution towards fixed assets	<u>687,174</u>	<u>1,057,820</u>
434,564,614	Gross Expenditure	371,808,351	364,434,630
-65,079,608	Less: Amounts Re-allocated	-54,344,126	-53,187,530
<u>369,485,006</u>	Net Expenditure	<u>317,464,225</u>	<u>311,247,100</u>
1,032,876	DEFICIT/(SURPLUS)	272,977	2,118,220

ANNEXURE E: NEWCASTLE

Actual Income 2004 R	Actual Expenditure 2004 R	Surplus/ (Deficit) 2004 R	Actual Income 2005 R	Actual Expenditure 2005 R	Surplus/ (Deficit) 2005 R	Budget Surplus/ (Deficit) 2005 R
186,171,262	190,692,685	(4,521,424)	174,567,280	189,450,001	(14,882,721)	(17,078,180)
118,568,571	115,447,768	3,120,802	126,131,315	123,823,772	2,307,543	978,200
61,088,367	59,530,772	51,557,595	77,709,327	11,942,261	65,767,066	67,981,050
8,407,899	9,187,018	(775,119)	2,104,590	(11,147,034)	13,251,624	64,570
20,981,506	23,305,322	(2,323,815)	19,689,131	23,656,414	(3,967,283)	(1,173,750)
14,745,308	16,149,635	(1,404,327)	16,402,518	18,986,250	(2,583,732)	(1,941,490)
-	14,946	(14,946)	-	18,001	(18,001)	(14,430)
-	104,739	(104,739)	-	6,460	(6,460)	(9,360)
-	-	-	-	-	-	-
-	74	(74)	-	-	-	-
-	1,454,844	(1,454,844)	-	-	-	-
1,535,945	2,387,496	(851,551)	824,600	3,521,831	(2,697,231)	138,520
-	117,341	(117,341)	-	17,161	(17,161)	(10,400)
107,316	122,806	(15,490)	57,610	2,079,216	(2,021,606)	(413,900)
-	49,181	(49,181)	Compound	65,323	(65,323)	(77,510)
206,015	863,963	(657,948)	Grant Skills Development	110,600	899,689	(789,089)
-	205,268	(205,268)	Organisation and Methods	-	137,315	(79,580)
13,370	841,421	(828,052)	Health Administration	(8,290)	1,541,754	(1,550,044)
5,220	187,246	(182,026)	Pest Control	455	8,331	(7,876)
-	679,599	(679,599)	Public Conveniences	-	966,498	(966,498)
1,974,185	170,719	1,803,467	Clinics	1,752,590	393,356	(515,520)
13,205	(1,358,556)	1,371,761	Civil Services	31,722	1,175,000	(1,143,279)
-	1,354,477	(1,354,477)	Administration Building Sector	-	1,533,044	(1,533,044)
2,877	10,107,210	(10,104,332)	Roads and Streets	5,814	10,300,509	(10,294,695)
-	4,256,636	(4,256,636)	Madadeni Roads and Streets	-	4,413,265	(4,413,265)
103,626	3,550,685	(3,447,059)	Osiwene Roads and Streets	55,630	3,195,371	(3,139,741)
-	(57,266)	57,266	Water and Sewerage Laboratory	-	52,000	(52,000)
-	14,056	(14,056)	Engineering Workshop	-	63,489	(63,489)
3,172,303	1,747,739	1,424,565	Financial/Treasury Services	3,041,295	9,104,324	(48,440)
-	56,866	(56,866)	Civil Defence	-	10,046	(10,046)
2,898,935	13,326,286	(10,427,352)	Protection Services	3,343,768	14,447,479	(11,103,711)
1,000,100	1,545,374	(545,274)	Osiwene Fire Station	135,335	1,806,775	(1,671,440)
-	496,315	(496,315)	Security	800	3,944,176	(3,943,376)
-	971,910	(971,910)	Security Madadeni	-	975,851	(975,851)
-	844,279	(844,279)	Security Osiwene	-	992,395	(992,395)
-	30,141	(30,141)	Community Services Admin	-	26,673	(26,673)
-	23	(23)	One Stop Newcastle	-	-	-
-	152,818	(152,818)	One Stop Madadeni	-	32,628	(32,628)
-	138,203	(138,203)	One Stop Osiwene	-	2,628	(2,628)
-	-	-	One Stop Blaauwbosch	-	-	-
-	835,285	(835,285)	Bus and Taxi Rank	-	1,392,069	(1,392,069)
-	335,131	(335,131)	Parks Administration	-	262,351	(262,351)
551,448	4,256,116	(3,704,668)	Parks and Gardens	296,830	4,381,392	(4,084,562)
44,247	95,639	(51,392)	Parks and Gardens Madadeni	23,740	94,231	(70,491)
44,247	60,534	(16,287)	Parks and Gardens Osiwene	23,740	47,457	(23,717)
-	1,479,911	(1,479,911)	Economic Development	-	2,256,311	(2,256,311)
-	261,101	(261,101)	Integrated Development Planning	-	548,166	(548,166)
-	77,758	(77,758)	Housing & Land	-	3,054,702	(3,054,702)
1,672,451	5,494,705	(3,822,254)	Strategic Planning	529,510	4,110,997	(3,581,487)
2,346,092	15,143,952	(12,797,860)	Subsidised Services	2,118,693	17,666,767	(15,548,074)
595,260	3,727,128	(3,131,868)	Libraries	416,920	3,380,770	(2,963,851)
69,786	499,673	(429,887)	Show Hall	82,236	413,131	(330,895)
14,337	348,596	(334,260)	Farmers Hall	34,349	301,441	(267,092)
19,447	231,539	(212,092)	Madadeni Hall	24,372	242,758	(218,386)
19,652	241,782	(222,129)	Osiwene Hall	38,461	271,826	(233,366)
59,774	648,753	(588,980)	Civic Centre	37,639	2,144,147	(2,106,508)
-	677,197	(677,197)	Civic Centre Madadeni	-	636,203	(636,203)
-	441,663	(441,663)	Civic Centre Osiwene	-	289,429	(289,429)
30,500	305,367	(274,867)	Fort Amiel and Armoury	27,500	434,973	(407,473)
30,500	424,009	(393,509)	Art Gallery	27,500	377,598	(350,098)
30,066	290,474	(260,408)	Airport	34,903	261,226	(226,323)
13,815	185,375	(171,560)	Town Hall	15,812	204,877	(189,065)
-	-	-	Charlestown Hall	3,861	1,112	(232,400)
151	251,460	(251,309)	Civic Services Offices	-	2,749	-
341,350	421,285	(79,935)	Cemetery	399,145	340,539	(340,539)
386,646	336,807	49,839	Cemetery Madadeni	364,335	511,406	(112,261)
433,138	452,157	(19,019)	Cemetery Osiwene	329,059	330,916	(330,916)
13,208	1,759,906	(1,746,698)	Recreation Grounds	14,145	33,419	(102,490)
51,431	379,147	(327,716)	Recreation Grounds Madadeni	27,550	380,923	(51,864)
44,959	299,966	(255,007)	Recreation Grounds Osiwene	24,252	241,650	(164,580)
-	84,136	(84,136)	Culture, Recreation & Amenities	-	1,559,895	(1,559,895)
25,008	356,446	(331,438)	Recreation Centre	-	357,021	(357,021)
81,849	1,751,548	(1,669,699)	Swimming Pools	75,121	1,891,432	(1,816,311)
42,844	389,944	(347,100)	Caravan Park	93,352	86,429	(6,923)
37,343	404,825	(367,481)	Richview Civic Centre	38,291	396,910	(358,619)
5,028	234,771	(229,743)	Fairleigh Community Hall	9,891	236,585	(226,695)

Actual Income	Actual Expenditure	Surplus/ (Deficit)
2004 R	2004 R	2004 R
65,256,599	60,100,965	5,155,634
-	-	-
1,027,911	1,067,123	(39,212)
49,196	461,861	(412,665)
150,399	241,051	(90,652)
-	-	-
-	-	-
-	(29,770)	29,770
224,424	917,013	(692,589)
1,497	23,426	(21,929)
-	121,500	(121,500)
-	1,431,926	(1,431,926)
-	26,052	(26,052)
-	19,805	(19,805)
9,456,677	6,710,636	2,746,041
13,736,000	12,219,631	1,516,370
11,577,037	10,364,325	1,212,712
1,293	85,041	(83,748)
-	-	-
11,463,473	9,882,315	1,581,158
9,490,828	9,126,724	364,104
7,970,547	7,010,387	960,160
-	314,600	(314,600)
107,316	107,316	-

Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budget Surplus/ (Deficit) 2005 R
2005 R	2005 R	2005 R	2005 R
46,317,273	47,959,462	(1,642,189)	(931,280)
-	1,721	(1,721)	(42,280)
841,206	969,902	(128,697)	109,080
Licensing	402,294	(372,490)	(491,590)
Building Inspectorate	308,178	(280,189)	(537,100)
Building Inspectorate Madaden	-	-	-
Building Inspectorate Osizweni	-	-	-
Admin Water and Sewerage	-	-	-
Industrial Sidings	273,301	118,757	(118,757)
Data Processing	1,444	(416,353)	(214,980)
Stores	-	69,039	(326,400)
Street Cleansing	-	2,374,419	(352,810)
Street Cleansing Madaden	-	24,783	(2,667,320)
Street Cleansing Osizweni	-	14,021	(24,783)
Refuse Removal	11,419,940	4,183,217	(60,150)
Refuse Removal Madaden	17,587,794	19,049,004	(84,950)
Refuse Removal Osizweni	15,465,445	14,028,915	(1,461,210)
Sanitation Services	-	65,638	527,640
Sanitation Services Madaden	-	-	1,436,530
Sewer Services	309,100	236,980	399,990
Sewer Services Madaden	16,625	10,994	(65,638)
Sewer Services Osizweni	6,827	(46,553)	(70,590)
Nursery	-	479,318	(53,380)
Mechanical Workshop	57,610	64,893	(479,318)
			(818,670)
			(128,310)

181,205,806	177,718,697	3,487,109
128,275,431	119,477,192	8,798,239
25,126,651	22,458,136	2,668,515
666,689	281,397	385,292
14,957,284	28,756,016	(13,798,731)
11,783,488	5,720,551	6,062,937
396,262	1,025,404	(629,142)

1,075,165
368,452,233

1,075,165
369,486,547

(1,034,314)

TRADING SERVICES
Electricity
Water
Water Blaauwbosch
Water Madadeni
Water Osizweni
Parking Areas

951,500
317,191,310

951,500
317,465,524

(207,241)
(1,241,555)

Appropriation for the Year

Net Surplus / (Deficit) for the Year

Unappropriated Surplus

at the

beginning of the Year

Unappropriated Surplus /

Accumulated (Deficit) at the end

of the Year

141,672,530	127,064,023	14,608,507	14,867,010
140,679,910	126,271,611	14,408,299	15,697,440
-	71,290	(71,290)	-
-	-	-	-
992,619	721,122	271,498	(830,430)

10,686,737
10,412,524

6,444,281

16,856,804

ANNEXURE F CONSOLIDATED

STATISTICAL INFORMATION

	2005	2004
1 GENERAL STATISTICS		
Population	430,946	430,946
Date of general valuation	01/07/1989	01/07/1989
Fixed date of valuation	01/07/1988	01/07/1988
Taxable valuation of properties	R 159,242,965	R 150,816,285
Residential	R 74,019,370	R 72,810,695
Commercial	R 77,080,885	R 69,938,480
Industrial	R 8,142,710	R 8,067,110
Non-taxable valuation of property	R 15,095,710	R 13,570,200
Assessment rates : Cents in the Rand	54.80 c/R	50.70 c/R
Number of properties	52,199	50,181
Residential	10,539	9,723
Commercial	1,517	1,536
Industrial	150	142
Non Taxable	39,993	38,780
Number of employees	913	1,333
 2 ELECTRICITY		
Number of units bought kWh	671,967,847	636,688,550
Number of units sold kWh	615,093,810	603,825,165
Units lost in distribution kWh	28,466,840	32,860,385
Percentage loss	4.4%	4.3%
Cost per kWh bought	14.77c	14.36c
Loss in distribution	R 3,837,330	R 4,718,751
Cost per kWh sold	15.00c	13.15c
Income per kWh sold	22.86c	16.80c

STATISTICAL INFORMATION

2005

2004

3 WATER

NEWCASTLE WEST

Number of units bought (kl)	10,003,400	11,054,100
Number of units sold (kl)	7,418,956	8,390,604
Distribution loss (kl)	2,584,444	2,663,496
Percentage loss	25.84%	24.10%
 Cost per kl bought	 92.00c	 91.40c
 Loss in distribution	 R 2,236,634	 R 2,434,435
 Cost per kl sold	 	
 Income per kl sold	 273.16c	 199.57c

NEWCASTLE EAST

Number of units bought (kl)	18,357,850	19,165,161
Number of units sold (kl)	1,110,277	947,791
Number of units unaccounted (kl)	17,242,573	17,503,382

4 SUNDRY STATISTICS

Area km2	2,956	1,700
Number of registered voters	127,000	115,805
 Fire brigade services	 	
Units (Stations)	2	1
Number of employees	40	30

5 BUILDING SURVEY

Number of building plans passed	449	469
Value of building plans	90,336,000	116,181,000

STATISTICAL INFORMATION

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2005

2004

6 PARKS AND RECREATION

Area developed play parks ha
Number of swimming pools
Number of tennis courts, bowling greens and
other sport fields

20	45
5	5
87	87

7 GENERAL

Library - Books issued	581,823	685,250
Refuse removal - m³	423,552	423,552
Roads Constructed km	5,300	0.800
Roads resealed km	13.35	-

8 HOUSING

8.1 COUNCIL PROPERTY

Number of houses	45	56
Number of flat units	88	88

8.2 STATE HOUSING ADMINISTERED BY COUNCIL

Number of houses	331	332
Number of flat units	120	120

STATISTICAL INFORMATION

	2005	2004
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9 HEALTH

9.1 Number of inspections carried out

Food premises	618	624
Commercial premises	10	81
Industrial premises	0	3
Health premises	0	10
Institutional premises	27	44
Community premises	139	625
Agricultural premises	0	2
Recreational premises	0	1

9.2 Labelling 30 0

9.3 Disease Investigations 29 45

9.4 Complaints 276 345

9.5 Health Education 0 29

9.6 General Matters 1,020 0

9.7 Non Environmental Health Duties 0 0

9.8 Administration 290 345

9.9 Communities Surveyed 0 0

9.10 Community Projects Initiated 0 0

9.11 Community Projects Revisited 0 0

9.12 Health Educational Actions 0 0

9.13 Environmental Health Campaigns 0 0

9.14 Conferences, Seminars, Workshops 8 14

9.15 Public Ablution Facilities: 11 units 692 450

9.16 Number of Samples

Food, Water and Milk	24	12
Cooking Oil	0	0

9.17 Clinic Services

Anti Natal	2,071	6,412
First Visit	2,200	1,812
Hospital Reference	0	0
Sexually Transmitted Diseases and Follow-up	3,652	4,169
Child Care	16,621	14,749
Immunisations	8,033	6,856

STATISTICAL INFORMATION

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	2005	2004
Family Planning	19,124	24,421
Minor Ailments	34,247	6,106
Hospital Referrals	2,308	3,367
Tuberculosis	129	150
Geriatric	4,950	2,737

HOUSING SERVICES

BALANCE SHEET AS AT 30 JUNE 2005

	2005 R	2004 R
Funds and Reserves	71,224,100	48,772,729
Housing Development Loans Redeemed	10,159,515 61,064,586	8,934,198 39,838,531
Trust Funds Housing Deposits	1,649,495 53,911 72,927,506	1,545,191 54,337 50,372,257
Fixed Assets Investments Long Term Debtors	53,083,301 73,852,033 3,819,142	31,840,835 121,114,785 4,085,069
	130,754,476	157,040,689
	(57,826,971)	(106,668,433)
Debtors Cash and Bank	21,625,074 361,520 21,263,554	3,678,533 436,043 3,242,490
Provisions Creditors	79,452,045 5,259,831 74,192,214	110,346,965 5,068,414 105,278,551
	72,927,506	50,372,257

Certified correct :

E C LE ROUX
CHIEF FINANCIAL OFFICER

A R HOSEN
MUNICIPAL MANAGER

HOUSING CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2005

	NOTE	2005 R	2004 R
CASH RETAINED FROM OPERATING ACTIVITIES		12,998,832	103,651,892
Cash Generated/(Utilised) by Operations		471,532	143,693
Investment Income		1,049,506	1,288,115
(Decrease)/Increase in Working Capital		(9,748,259)	77,552,878
Cash Utilised From Operations		(8,227,222)	78,984,686
Cash Contributions and Donations		21,226,054	24,667,206
CASH UTILISED IN INVESTING ACTIVITIES		(20,976,539)	(24,520,177)
Investment in Infrastructure - Capital Expenditure		(21,242,466)	(24,693,290)
(Increase)/Decrease in Long Term Debtors		265,927	173,113
NETT CASH INFLOW / (OUTFLOW)		(7,977,707)	79,131,716
CASH EFFECTS OF FINANCINGACTIVITIES			
Increase/(Decrease) in Consumer Deposits		(427)	-950
(Increase) / Decrease in External Cash & Investments		25,999,198	-78,974,163
Decrease/(Increase) in Cash & Cash Equivalents		(18,021,064)	(156,603)
NETT CASH (GENERATED)/UTILISED		7,977,707	(79,131,716)

HOUSING SERVICES

REVENUE AND EXPENDITURE ACCOUNT AND PROVISIONS STATEMENT FOR THE YEAR ENDING 30 JUNE 2005

	8 Sub Economic Scheme R	154 Houses Scheme R	72 Flats Scheme R	68 Houses Scheme R	380 Houses Scheme R	48 Flats Scheme R	25 New Houses Scheme R	25 Houses Scheme R	12 Houses Scheme R	Total R
EXPENDITURE										
General Administration	1,152	1,008	10,368	576	6,048	6,934	2,304	3,520	859	32,769
Rates General	2,682	9,670	62,919	2,494	42,379	9,227	10,206	3,620	3,833	147,029
Electricity and Water	-	-	74,370	-	-	45,426	-	-	-	119,796
Insurance	492	805	7,742	215	3,925	2,935	671	804	375	17,963
Reserve for Loss on Rent	438	693	5,875	166	3,285	2,847	1,451	861	380	15,996
Reserve: Repairs & Maintenance	3,037	5,510	43,635	949	25,032	21,020	13,684	4,953	2,906	120,727
Interest	11,717	23,854	152,536	3,662	135,178	74,821	52,783	19,102	11,207	484,859
Redemption	213	385	2,771	66	2,453	1,356	956	346	204	8,750
Rent of Stands	86	1,014	1,443	26	-	348	476	164	52	3,608
	19,816	42,938	361,659	8,154	218,300	164,914	82,530	33,370	19,816	951,498
INCOME										
Subsidy	5,121	8,631	72,207	-	83,641	16,234	24,827	3,164	2,633	216,458
Rental Received	14,695	34,307	289,452	8,154	134,659	148,680	57,703	30,206	17,183	735,040
	19,816	42,938	361,659	8,154	218,300	164,914	82,530	33,370	19,816	951,498
PROVISIONS										
Loss on Rent	103,328	7,712	563,358	395,329	120,848	140,897	8,963	113,479	27,501	1,481,415
Maintenance	69,679	155,590	-	296,486	1,577,192	-	270,986	-	179,791	2,549,724
	173,007	163,302	563,358	691,815	1,698,040	140,897	279,949	113,479	207,292	4,031,138

HOUSING SERVICES

ACCUMULATED FUNDS, TRUST FUNDS, RESERVES & PROVISIONS

	BALANCE AT 30/06/2004 R	EXPENDED R	CONTRIB OTHER R	CONTRIB BUDGET R	INTEREST R	BALANCE AT 30/06/2005 R
TRUST FUNDS						
Community Facilities	1,545,191	-	-	-	104,303	1,649,495
ACCUMULATED FUNDS						
Housing Development	8,934,198	1,245,897	1,868,140	-	603,075	10,159,515
PROVISIONS						
Repairs & Maint.	2,572,579	570,698	296,734	120,727	173,654	2,592,996
Rental Losses	2,495,835	15,475	2,006	15,996	168,474	2,666,835
	15,547,803	1,832,071	2,166,880	136,723	1,049,506	17,068,841